

CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Minutes of the Meeting held October 25, 1983

Present: Chairman, Mr. G. Fisher, Prof. L. Bessner, Mr. M. Bourgault, Ms. A. Kerby, Dr. H. Ladd, Ms. S. O'Reilly, Mr. B. Smart, Ms. E. Gardham, Mr. M. Hamilton of William M. Mercer Ltd. Mr. A. Beutel & Mr. N. Bengough of Beutel Goodman and Company Ltd. Mr. K. Kertland of Jarislowsky Fraser & Company Ltd. and Mr. B. Rennie of Pension Finance Associates Ltd.

Regrets: Dr. J. Daniel, Prof. G. Martin and Miss D. Johnson

The meeting was called to order at 12:25. Dr. Ladd posed questions regarding procedures, quorum and adding items to the agenda. The Chairman explained that a motion is generally passed by simple majority, that the function of the committee is to carry out responsibilities regarding the pension fund and in order to put items on the agenda one should contact Dawn Johnson.

Minutes of the Meeting of September 19, 1983

The motion to approve the minutes of the meeting of September 19th was proposed by Mr. Smart, seconded by Mr. Bourgault and unanimously carried.

Comparative Measurement Review

Mr. Brian Rennie of Pension Finance Associates reviewed the results of the comparative measurement study for the period ending June 30, 1983.

Mr. Rennie noted that the capital market behaviour over the past two years has been marked by sharp contrasts - for example, in the period July 81 - 82 the T.S.E. index return on capital and income was 39.2% while for the same period in 82 - 83 it was 86.8%. There was tremendous volatility over the short-term therefore the investment performance should be evaluated over longer time frames. Annual results and cumulative periods of less than four years are considered as short-term. The total Concordia fund has earned a return of 10.1% per annum using the ten-year cumulative results. In the last four years the returns have been 15.5% per annum, just 20 bases points below the first quartile break. The asset mix decisions contributed positively to these results.

Equities provided superior returns in 1982-83, however, low exposure to cash impacted negatively on the total fund performance.

The full comparative measurement report will be included as Appendix A of the official minutes.

Investment Review - Jarislowsky Fraser

Mr. Kim Kertland of Jarislowsky Fraser invited committee members to pose questions regarding the investments. Mr. Hamilton asked if it was by design or by accident that Jarislowsky Fraser's results are as close to those of Beutel Goodman as they are. Mr. Kertland replied that there is little communication between the two organizations but their strategies are similar. In a market that is falling Jarislowsky Fraser performs better because of conservatism. The opposite is true when the market is rising because of Jarislowsky Fraser's concern with safety - for example we stay out of mining and forest product stocks.

The Chairman noted that it is the long term moving average that Concordia is interested in, not the flash in the pan. What is perceived in the next 12 to 18 months in the market?

Mr. Kertland noted that we have been through a period of extreme volatility and there is disagreement on basic issues ie. corporate profits, interest rates and federal deficits. Significant factors are the international banking crisis because of the countries who can't even service the interest portion of their debts and the biggest borrower - the government - making demands at the federal, provincial and municipal levels. The second big borrower is mortgages on multiple housing units. Sales are not sufficient to occupy finished units. Next is the corporate market and it is feared that there will be crowding between the corporate and government borrowing demands. Presently the big spenders are at a level of growth of almost zero and spending is essentially related to improvements in productivity and efficiency with higher mechanization and computerization.

Interest rates should continue in a downward direction between now and the end of the second quarter of '84 creating a favourable investment climate. Jarislowsky Fraser would like to hold their bonds to protect their market gains. It is anticipated that interest rates will fall between now and next spring.

Mr. Smart asked if Jarislowsky Fraser anticipated that inflation would sky rocket again? Mr. Kertland replied that they would not be at all surprised if it did - there is no capital spending, it has all been consumer spending.

In the U.S. Jarislowsky Fraser is strictly in equity, drugs and pharmaceuticals with the big names, Johnson & Johnson and Eli Libby also big

international oil names. The american producer is still in an excellent position. (G.E. & Emerson Electric.) We don't buy mines and forest products because we have too many in Canada as it is. We look for consumer organizations such as Proctor & Gamble because wives and mothers are still going to use the same amount of soap. No high tech. issues because multiples are too high.

Investment Review - Beutel Goodman

Mr. Austin Beutel and Mr. Norman Bengough summarized the Beutel Goodman thesis regarding the economy and investment climate. It is felt that in 1984 there will be a continuation of the recovery and it will be a strong year. Interest rates should remain stable for the next 6 to 9 months followed by flat or declining rates because of the U.S. election next year. Interest rates in Canada are made in the U.S. The big risks are debtor countries unable to pay their loans. We haven't yet seen the top of the cycle, it is a volatile market on both the fixed and equity side.

Prof. Bessner asked if Beutel Goodman anticipated that interest rates would go down then back up. Mr. Beutel replied that in the short run this was what was expected.

Mr. Norman Bengough provided a commentary on the Beutel Goodman bond portfolio. He noted that the bond market had rallied in May, the bond market got ahead of itself, there was too much of an ease and the money supply was growing excessively. When the money supply tightened Beutel Goodman went back to a 25% cash position then back to a fully invested position. The long bond market is in much better shape now and Beutel Goodman expects the rally to continue, real rates are high and they don't see a great resurgence in borrowing demands. Retail spending has spurred the economy and capital spending should now take over but not with borrowed money.

Beutel Goodman is trying to improve the relative performance in bonds and in the long run the absolute performance. The size of the government deficits is keeping real rates substantially higher than they usually are.

Mr. Smart asked if Beutel Goodman had looked at real estate. Mr. Beutel replied that David Williams had asked him to talk to committee about it. Two years ago Beutel Goodman set up a separate department in their shop and made available a series of closed end deals for pension funds. Real estate represents a lock-up of funds for ten years and it is not recommended that substantial percentages be invested in real estate. David Williams has sent material and a covering letter to Miss Johnson.

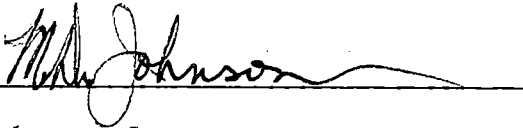
The Chairman noted that the committee would review the material when it is passed along.

Other Business

Mr. Smart noted he would like to add something to the agenda for the next meeting - the possibility of a dental care plan.

The Chairman reminded members that the next meeting is on November 8, 1983. The meeting adjourned at 2:15 p.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "M.D. Johnson", is written over a horizontal line.

M.D. Johnson, Secretary

Special thanks to recording secretary Libby Gardham.